GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1931
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POLICY GUIDELINES FOR MICRO FINANCE INSTITUTIONS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to fonnulate policy guidelines to strengthen and regulate the funding of micro finance institutions; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The Government has introduced a bill in Lok Sabha on 20.03,2007 `The Micro Financial Sector (Development and Regulation) Bill, 200?` to create environment friendly policy for micro-finance services in the country. The bill is intended to provide a formal statutory framework for the promotion, development and regulation of the micro finance sector. The salient features of this bill are as follows :-

(i) entrusts the function of development and regulation of the micro financial sector to the NatioiiiU Bank for Agriculture and Rural Development (National Bank);

(ii) defines the various entities engaged in the activity of micro finance such as Cooperative Societies, etc.

(iii) defines various categories of beneficiaries of micro financial services as eligible clients including Self Help Groups (SHGs) or joint liability groups of such eligible clients;

(iv) provides for acceptance of thrift i.e. savings of eligible clients other than in the form of current account or demand deposit account by Micro Finance Organisations registered the National Bank, subject to such terms and conditions as may be prescribed;

(v) provides for registration of Micro Finance Organisations that undertake thrift;

(vi) provides far creation of a reserve fund and maintenance of accounts and submission of periodical returns by Micro Finance Organisations;

(vii) provides for functions and powers of the National Bank in relation to thrift services and micro :5nancial services.

(viii) empowers the National Bank to frame a scheme for appointment of one or more Micro Finance Ombudsman for settlement of disputes between eligible clients and Micro Finance Organisations;

(ix) empowers :he National Bank to make regulations with the previous approval of the Central Government for carrying out the purposes of the legislation.